OCT 1 6 1979

Dem 897 dyc

S9.10:9308
1664

TREATIES AND OTHER INTERNATIONAL ACTS SERIES 9308

J 49-272
C780

-92163-4 (F)

DEVELOPMENT OF SCIENCE AND TECHNOLOGY

a-10---

GP00/389
Input
1/2/81, 01
Rev 1/6 GB
7047948

Agreement Between the
UNITED STATES OF AMERICA
and INDONESIA

Signed at Jakarta April 12, 1978

Science
Research ftx/r/ ft
State encouragement
of science, literature
and art ft
Laws, American ft

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89–497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

". . . the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof."

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Subscription Price: $100 per year; $25 additional for foreign mailing. Single copies vary in price. This issue $1.50.

INDONESIA

Development of Science and Technology

Agreement signed at Jakarta April 12, 1978;
Entered into force April 12, 1978.

A.I.D. Loan No. 497-W-050

Project No. 497-0266

PROJECT

LOAN AGREEMENT

BETWEEN

THE REPUBLIC OF INDONESIA

and the

UNITED STATES OF AMERICA

for

SCIENCE AND TECHNOLOGY: Practical Applications for Development

Dated: April 12, 1978

TIAS 9308

Table of Contents

Project Loan Agreement

	Page	(Pages herein)
Article 1: The Agreement	1	5
Article 2: The Project	1	5
SECTION 2.1. Definition of Project	1	5
Article 3: Financing	2	6
SECTION 3.1. The Loan	2	6
SECTION 3.2. Borrower Resources for the Project	2	6
SECTION 3.3. Project Assistance Completion Date	3	7
Article 4: Loan Terms	4	8
SECTION 4.1. Interest	4	8
SECTION 4.2. Repayment	4	8
SECTION 4.3. Application, Currency and Place of Payment	5	9
SECTION 4.4. Prepayment	5	9
SECTION 4.5. Renegotiation of Terms	5	9
SECTION 4.6. Termination on Full Payment	6	10
Article 5: Conditions Precedent to Disbursement	7	11
SECTION 5.1. First Disbursement	7	11
SECTION 5.2. Distribution for Individual Activities	8	12
SECTION 5.3. Notification	9	13
SECTION 5.4. Terminal Dates for Conditions Precedent	9	13
Article 6: Special Covenants	9	13
SECTION 6.1. Project Evaluation	9	13
SECTION 6.2. Employment of Trained Students	10	14
Article 7: Procurement Source	10	14
SECTION 7.1. Foreign Exchange Costs	10	14
SECTION 7.2. Local Currency Costs	10	14

	Page	[Pages Agreement]
Article 8: Disbursement	11	15
SECTION 8.1. Disbursement for Foreign Exchange Costs	11	15
SECTION 8.2. Disbursement for Local Currency Costs	12	16
SECTION 8.3. Other Forms of Disbursement	12	16
SECTION 8.4. Rate of Exchange	12	16
SECTION 8.5. Date of Disbursement	13	17
Article 9: Miscellaneous	13	17
SECTION 9.1. Communications	13	17
SECTION 9.2. Representatives	14	18
SECTION 9.3. Standard Provisions Annex	14	18
Annex 1: Amplified Description of the Project		
Annex 2: Project Loan Standard Provisions[1]		

[1] Not printed herein. The annex is deposited in the archives of the Department of State where it is available for reference.

A.I.D. LOAN NO. 497-W-050

PROJECT NO. 497-0266

PROJECT LOAN AGREEMENT

Dated April 12, 1978

Between THE REPUBLIC OF INDONESIA ("Borrower")

And THE UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.")

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of assisting the Borrower in financing its program to upgrade selected science, technology, research and technical service institutions within Indonesia, and to strengthen Borrower's technological and research policies. The Project will emphasize the practical application of science and technology for development. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] agrees to lend the Borrower under the terms of this Agreement not to exceed Five Million United States ("U.S.") dollars ($5,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal." The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

SECTION 3.2. Borrower Resources for the Project

(a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of U.S. $2,200,000, including costs borne on an "in-kind" basis.

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" ("PACD"), which is April 12, 1983, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Loan Terms

SECTION 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable not later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Borrower will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

(a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Indonesia, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Minister of Finance in Indonesia.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5: Conditions Precedent to Disbursement

SECTION 5.1. First Disbursement. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice of the Borrower that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) Evidence that a Science and Technology Project Management and Evaluation Committee has been established and is ready to guide and evaluate the Project;

(d) Evidence that the Borrower has assigned a senior individual with adequate staff support from the Office of the Minister of State for Research as the central point of contact and the person responsible for the day-to-day management of the Project; and

(e) A schedule for the evaluation program referred to in Section 6.1.

SECTION 5.2. Disbursement for Individual Activities. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for the purpose of financing any individual activity under the Project, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A plan for a feasibility study for that activity unless it is agreed in writing between the Borrower and A.I.D. that prior relevant activities or studies have satisfied this requirement;

(b) A written description of the activity setting forth its objectives, including the ways in which it will benefit Indonesia's lower income majority, a scope of work, a suggested budget, and an implementation plan;

(c) Written approval for the activity by the Science and Technology Project Management and Evaluation Committee;

(d) Evidence that the Borrower has assigned a senior individual, with necessary staff, from the relevant institution or institutions as the point of contact and person responsible for the day-to-day management of the activity; and

(e) Evidence that the implementing institution of Borrower which is responsible for the activity possesses the organizational and manpower capacity to carry out the activity in accordance with the budget and the implementation plan.

SECTION 5.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 5.1 and 5.2 have been met, it will promptly notify the Borrower.

SECTION 5.4. Terminal Dates for Conditions Precedent. If all the conditions specified in Section 5.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

Article 6: Special Covenants

SECTION 6.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 6.2. Employment of Trained Students. Borrower covenants that each student trained in the United States under the Project shall be guaranteed a position by the Borrower either in the Government institution where employed prior to the training or elsewhere in the Government of Indonesia in a position commensurate with his training and experience.

Article 7: Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursement pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 7.2. Local Currency Costs. Disbursement pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Indonesia ("Local Currency Costs").

Article 8: Disbursement

SECTION 8.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 8.2. Disbursement for Local Currency Costs. After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs. These disbursements may be made by A.I.D.:

(1) In U.S. dollars equivalent to the local currency cost, or

(2) In local currency acquired by A.I.D. by purchase or from local currency already owned by the U.S. Government.

SECTION 8.3. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 8.4. Rate of Exchange. If funds provided under the Loan are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

SECTION 8.5. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; or (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2.

Article 9: Miscellaneous

SECTION 9.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower:

Mail Address: Departemen Luar Negeri
Jalan Pejambon No. 6
Jakarta Pusat, Indonesia

Alternate address for telegrams: DEPLU Jakarta

To A.I.D.:

Mail Address: United States Agency for International Development
American Embassy
Jakarta, Indonesia

Alternate address for telegrams: USAID AMEMB Jakarta

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Chairman or Vice Chairman, National Development Planning Agency (BAPPENAS), and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Indonesia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 9.3. Standard Provisions Annex. A "Project Loan Standard Provisions Annex" (Annex 2) [1] is attached and forms part of this Agreement.

[1] See footnote 1, p. 4.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA

Mochtar Kusumaatmadja

By: _____

Prof. Dr. Mochtar Kusumaatmadja
Minister for Foreign Affairs

UNITED STATES OF AMERICA

Edward E. Masters

By: _____

Edward E. Masters
Ambassador

ANNEX 1

AMPLIFIED DESCRIPTION OF THE PROJECT

A basic objective of the Indonesian Government is the improvement of employment opportunities and incomes for the majority of its citizens.

The Indonesian Government recognizes that to achieve this objective, it must develop appropriate policies and programs and have well-managed and efficient institutions capable of adapting and using scientific principles and technological advances to improve the life of the average, poor and rural Indonesian. At the present, over 150 institutions deal with some aspect of research, development or technical service, but many are poorly managed and inefficient, and their policies are not well developed. Whether involved in agricultural research, small industry and product development, or health and safety standards, there is a need for improvement in policy development and management capability, and also in program development.

The Project objective may be summarized as follows: "To provide a strong indigenous capacity in selected Indonesian scientific and technological (S&T) institutions to plan and conduct research and development (R&D) activities in ways that will benefit Indonesia's majority, and offer opportunities for increased productivity, income and improvements in the quality of life."

Two general technical assistance activities will be established under the Project to address the problem of policy development and research institutional and project management. Activity "A" on S&T policy development will link the U.S. National Academy of Sciences with the Office of the State Minister for Research to provide U.S. expertise in particular to problems of science and technology policy development, both at the national level and institutional level, in Indonesia. Activity "B" on R&D institutional and project management will link an experienced and highly qualified U.S. non-profit institution with the Indonesian Institute of Sciences ("LIPI"), to establish a self-sustaining and relatively self-sufficient Indonesian capability to teach modern management methods to Indonesian R&D institutions and, meanwhile, to continue an experimental training program.

The Project will also include specific activities dealing with more specific developmental problems such as standardization, alternative energy development, aquatic resource development, remote sensing, geological and land use mapping, geological hazards, and weather forecasting for farmers and fishermen. In each case, a linkage will be established with an experienced and appropriate U.S. governmental, non-profit or educational institution to provide the technical assistance training and services required to upgrade Indonesian capabilities in the selected topical area by working with the appropriate institutions and organizations of the Borrower.

A S&T Project Management and Evaluation Committee will be established for purposes such as activity approval, project and management policies and guidance, evaluation, and other services required for the success of the Project. Membership in the Committee will include representatives from the Office of the Minister of State for Research and USAID.

The Office of the State Minister for Research of the Borrower will have the overall coordinating responsibility for Project administration. Responsibility for each activity within the Project may be delegated to the appropriate institution(s) of the Borrower.

Financial Plan

The U.S. dollar resources for this Project are the $5,000,000 loan, and, subject to the availability of funds, a $1,500,000 grant. Grant funds of $600,000 are available for U.S. fiscal year 1978. The balance will be provided in increments for FY 1979 through FY 1981, subject to the availability of funds.

In event any of referenced increments under the grant for fiscal years 1979, 1980 and 1981 should not be made available to A.I.D., the Borrower would not be responsible for providing such funds for the Project. Under such circumstances, it is agreed between Borrower and A.I.D. that the scope of the overall Project would be reduced to correlate with the reduction of available funds.

This Project consists of two general activities: "A" - Science, Technology and Research Policy Development, "B" - Manpower Development in R&D Management, and some to-be-selected specific activities. The estimated U.S. dollar requirements for Activities "A" and "B" are approximately $635,000 and $1,500,000, respectively. Regarding the more specific activities, illustrative examples and budgets have been developed for topics on:

1. Standardization
2. Alternative energy resources
3. Aquatic resources
4. Remote sensing
5. Geological mapping and geological hazards, and
6. Weather forecasting for farmers and fishermen.

The balance of loan and grant funds will be used for selected specific activities, by agreement between the Borrower and A.I.D., with the approval of the Project Management and Evaluation Committee.

The resources will be used to defray the costs of technical assistance including consultants (short and long-term), training and surveys in-country and abroad, limited commodities (primarily instrumentation and equipment), and certain support costs. The funding of travel costs by A.I.D. for participant training will be considered on a case by case basis.

U.S. GOVERNMENT PRINTING OFFICE 1979 O—49 272